

**EXCHANGE RATE EXPOSURE AND FOREIGN
MARKET VOLATILITY: EVIDENCE FROM
MALAYSIAN FIRMS**

**NOR AZURA BINTI RAZALI
2005656215**

**BACHELOR OF BUSINESS ADMINISTRATION
(HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
JOHOR**

MAY 2007

DECLARATION OF ORIGINAL WORK



**BACHELOR OF BUSINESS ADMINISTRATION
(HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
JOHOR**

“DECLARATION OF ORIGINAL WORK”

I, Nor Azura binti Razali, (I/C Number: 841026-01-6024)

Hereby, declare that,

- This work has not previously been accepted in substance for any degree, locally or overseas and is not being concurrently submitted for this degree or any other degrees
- This project paper is the result of my independent work and investigation, except where otherwise stated
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature: _____

Date: _____

LETTER OF SUBMISSION

4 MAY 2007

Muhamad Sukor bin Jaafar
FIN660 Course Tutor
Finance Department
Bachelor of Business Administration (Hons) Finance
Faculty of Business Management
Universiti Teknologi MARA
85009 Segamat
Johor.

Dear Sir,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled "EXCHANGE RATE EXPOSURE AND FOREIGN MARKET VOLATILITY: EVIDENCE FROM MALAYSIAN FIRMS" to fulfill the requirement as needed by the Faculty of Business Management, Universiti Teknologi MARA

Thank you

Yours sincerely

NOR AZURA BINTI RAZALI
2005656215
Bachelor of Business Administration (Hons) Finance

ACKNOWLEDGEMENT

All praises to almighty Allah, the most merciful and most benevolent for giving me the strength and patience in completing this research paper.

A special gratitude to most respected lecturer, En. Muhamad Sukor b. Jaafar for his valuable advices, suggestions and guidance in every stages of this project paper, also for his time and efforts in ensuring the progression of this project. Also special thanks dedicated to Prof. Madya Zin b. Ibrahim for his guidance in statistical matter.

My thanks also go to my beloved parents and siblings for your hard support and useful advice especially in completing my research paper. I believed without your blessing, I would not have the strength and ability to make it like this far.

Last but not least, I like to take this opportunity to express my enormous gratitude to those who have contributed whether directly or indirectly in completing this project paper especially to all my best friends who involved either directly or indirectly.

Sincerely from, Nor Azura binti Razali.

ThankYou...

ABSTRACT

This research focuses on the effects of exchange rate to the export and import, evidence from Malaysian firms. This study will examine on how the exchange rate volatility influence the variability of import and export for Malaysia. The objective of this paper is to examine whether there are any significant effects between exchange rate fluctuation to the import and export variability. The method used will be the Single Linear Regression to regress the exchange rate and import and export. The data taken will be on quarterly basis for twelve years period from 1987 until 1998. The time series selected was based on the purpose to skip the period of pegging in ringgit.

Based on the method used, this study found that there was a positive correlation between exchange rate and import and the same goes to export. It explained that the devaluation of home currency can benefit the country trade in terms of increasing in Malaysia's export. However, the depreciation in ringgit will not reduce the Malaysia's import. The variability of import and export to be explained by exchange rate is too low but they are significant.